



**REVIEW OF INDEPENDENT AUDITS OF  
FIRE PROTECTION DISTRICTS  
IN ST. LOUIS COUNTY**

**From The Office Of State Auditor  
Claire McCaskill**

**Report No. 2002-14  
February 13, 2002  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)**

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

February 2002

**The annual review of audits of fire protection districts in St. Louis County has been completed. This review covered reports for the year ended December 31, 2000.**

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Fire Protection Districts in St. Louis County are required by statute to have biennial audits performed if revenues exceed \$50,000. The State Auditor received, reviewed and accepted twenty-two reports for the year ended December 31, 2000.

Seven of the 22 reports were received after the June 30, 2001, statutory deadline, with three districts; Black Jack, Community, and Robertson being over 100 days late. Untimely reporting has increased compared to the year ended December 31, 1999, when only 2 reports were delinquent.

In 2000, 18 of the 22 districts had increases in their General Fund balances. The aggregate General Fund balance of all districts increased by six percent in 2000. Since 1991, the General Fund balances of fire districts overall have increased between five and fifteen percent annually.

In previous reviews, it was noted that several districts had large General Fund balances in relation to expenditures. For 2000, seventeen districts had fund balance to expenditure ratios greater than one which indicated the districts' fund balance was greater than one year's cost of operations. Although many districts reserved a portion of their General Fund Balance for capital improvements and future years' operation, eight still had unreserved fund balances greater than one year's cost of operations. The fire protection districts must continue to evaluate the propriety of their tax levies to ensure that excess revenues are not being received and accumulated.

Also included in the report are specific recommendations made by the independent auditors to improve the overall management of the fire districts. These recommendations included concerns regarding revenues and expenditure procedures, various accounting records and procedures, investments and pensions, fixed assets, pledged securities, unclaimed property, budget, payroll and employee benefits. The individual districts should review all the recommendations and their applicability to their district.

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YELLOW SHEET

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION  
DISTRICTS IN ST. LOUIS COUNTY

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DISTRICTS IN ST. LOUIS COUNTY

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## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Bob Holden, Governor  
and  
Members of the General Assembly  
and  
Boards of Directors of Fire Protection  
Districts in St. Louis County

Fire protection districts in St. Louis County are required by Section 321.690, RSMo 2000, to be audited. We have conducted a review of these independent audits of the fire protection districts in St. Louis County. The objectives of this review were to:

1. Evaluate the impact of, and the districts' compliance with, statutory audit requirements and the State Auditor's regulations on the effectiveness of financial reporting and auditing for fire protection districts in St. Louis County.
2. Notify the various fire protection districts and independent auditors of any specifically identifiable reporting deficiencies that should be considered and corrected in future audit reports.
3. Summarize and evaluate the financial data presented for the various fire protection districts and any comments for improvements made by the independent auditors.

Our review was limited to the specific matters described above and was based on selective procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The State Auditor's office has reviewed fire protection districts' audit reports for several years and noted many improvements. It appears that the fire protection districts, on the whole, are working to improve the quality of their financial reporting. The format of this report has been changed to include an executive summary and a scope and methodology section describing what work was performed. We solicit from the readers of this report any suggestions for changes or requests for other information that may benefit those involved with the St. Louis County fire protection districts.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire C. McCaskill  
State Auditor

December 14, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Alice M. Fast, CPA
In-Charge Auditor:	Michael J. Monia
Audit Staff:	Shantaye Atkinson

## EXECUTIVE SUMMARY

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION  
DISTRICTS IN ST. LOUIS COUNTY  
EXECUTIVE SUMMARY

Section 321.690, RSMo 2000, requires all fire protection districts in St. Louis County with revenues in excess of \$50,000 annually to cause an audit to be performed on a biennial basis. For those districts with annual revenues of less than \$50,000, the State Auditor may exempt the district from the audit requirement, if the appropriate reports are filed. Based on the tax rate and assessed valuation information available, the Kinloch Fire Protection District received approximately \$17,000 in tax receipts during 2000, therefore, while it appears a biennial audit is not required, unaudited financial statements are required to be filed.

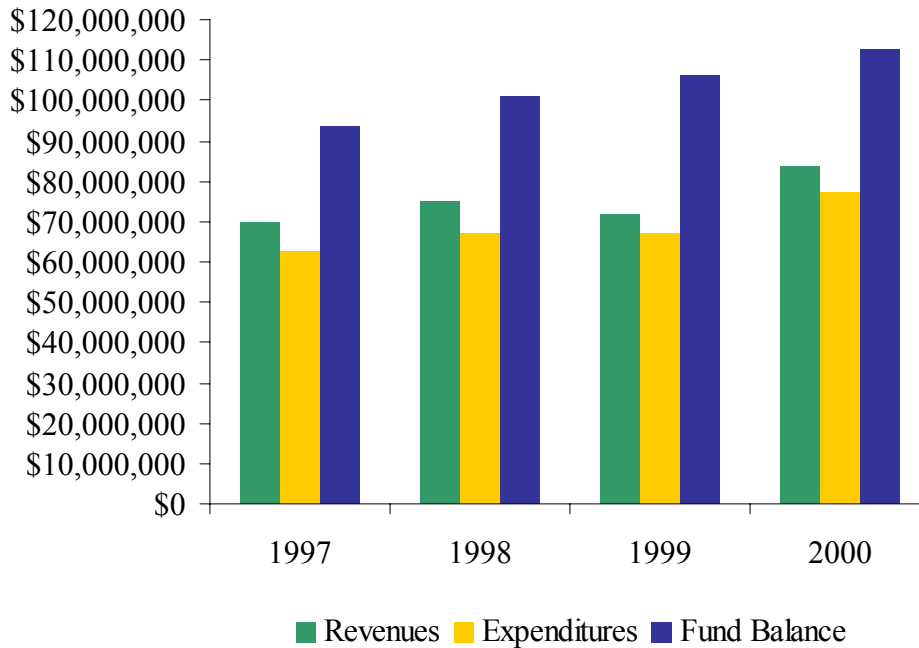
For those districts for which an audit is required, the district must file a copy of the completed audit report and management letter with the State Auditor within six months after the close of the fiscal year. The audit reports and management letters are reviewed to determine that they are prepared according to guidelines contained within the Code of State Regulations (CSR) (Section 15 CSR 40-4). Any weaknesses noted during the review are communicated to the districts by letter. Should the weaknesses be of a serious enough nature to require the report to be amended, the district is granted a ninety-day period from the date of notification by the State Auditor to correct the report. The State Auditor accepted all 22 reports that were received for the year ended December 31, 2000. However, instances of non-compliance were noted in our review of the fire protection districts' audit reports. The problems noted included the failure to include some needed compliance recommendations in the management letters and the lack of complete and adequate footnote disclosures. These problems were communicated to the fire protection district auditors.

Seven of the 22 reports were received after the June 30, 2001, statutory deadline, with three districts being over 100 days late, as noted below:

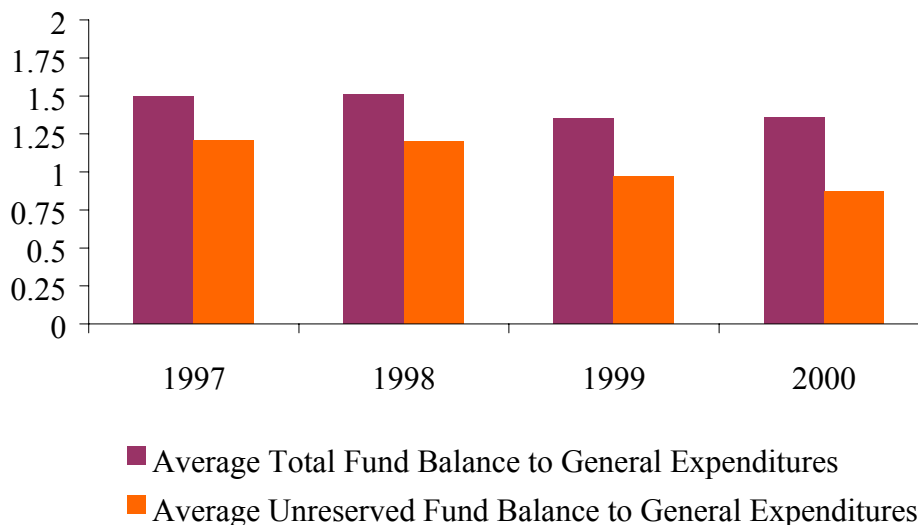
<b><u>Fire Protection District</u></b>	<b><u>Date Received</u></b>
Black Jack	November 2, 2001
Community	October 19, 2001
Lemay	August 10, 2001
Mid-County	August 20, 2001
Pattonville/Bridgeton Terrace	September 26, 2001
Riverview	July 30, 2001
Robertson	December 13, 2001

Untimely reporting has increased compared to the year ended December 31, 1999, when only two reports were delinquent. While not only required by statute, timely audits also provide information to the board and district taxpayers on the financial status of the district and ways to improve the management of the district. Fire district board members should ensure that audits are completed by the statutory deadline.

In 2000, 18 of the 22 districts had increases in their General Fund balances, and the aggregate General Fund balance of all districts increased by six percent. Since 1991, the General Fund balances of fire protection districts overall have increased between five and fifteen percent annually. The following graph shows recent years' aggregate information.



In previous reviews, it was noted that several districts had large General Fund balances in relation to expenditures. The following graph shows the General Fund total fund balance to expenditures ratio as well as the unreserved fund balance to expenditures ratio.



Since property tax is the main source of revenue, and is received at the end of each year, districts need larger fund balances at year end to provide an adequate cash flow. Seventeen districts have ratios greater than one which indicates the fund balance is greater than one year's cost of operations. In addition, five districts have cash and investment balances at year end that exceed total expenditures for the year. The fire districts must continue to evaluate the propriety of their tax levies to ensure that excess revenues are not being received and accumulated.

The following chart shows the total fund balance to General Fund expenditures ratio for each district for the last four years.

<b><u>District</u></b>	<b><u>Fund Balance To Expenditure Ratios</u></b>			
	<b><u>1997</u></b>	<b><u>1998</u></b>	<b><u>1999</u></b>	<b><u>2000</u></b>
Affton	0.98	1.41	1.47	1.40
Black Jack	1.04	1.08	1.10	1.09
Chesterfield	1.55	1.68	1.81	1.73
Community	1.21	0.98	0.96	1.04
Creve Coeur	3.49	3.07	3.45	3.31
Eureka	0.62	0.58	0.69	0.90
Fenton	1.49	1.62	1.20	1.37
Florissant Valley	1.59	1.13	1.23	1.06
Lemay	0.63	0.51	0.49	0.56
Maryland Heights	1.92	2.52	2.59	2.23
Mehlville	1.40	1.60	1.60	1.16
Metro West	1.34	1.19	0.84	1.02
Mid-County	0.84	0.97	0.83	0.93
Moline	0.96	0.94	0.90	0.83
Normandy	1.49	1.60	1.25	1.00
Pattonville/ Bridgeton Terrace	1.12	0.78	0.70	0.87
Riverview	1.28	1.30	1.34	1.53
Robertson	1.50	2.19	1.67	1.71
Spanish Lake	1.23	1.05	1.12	1.12
Valley Park	1.68	1.08	1.54	1.64
West County EMS	1.62	1.72	1.60	1.73
West Overland	1.19	1.19	1.32	1.76

Although, a large number of districts have reserved a portion of their 2000 fund balance for new firehouses, additional equipment, future years' operations and other uses, eight still have unreserved fund balances greater than one year's cost of operations. This is reflected in the chart below.

<b><u>Unreserved Fund Balance to Expenditure Ratios</u></b>				
<b><u>District</u></b>	<b><u>1997</u></b>	<b><u>1998</u></b>	<b><u>1999</u></b>	<b><u>2000</u></b>
<b>Affton</b>	0.86	1.21	1.25	1.17
<b>Black Jack</b>	1.04	1.08	1.10	1.09
Chesterfield	1.55	1.68	0.65	0.75
Community	1.21	0.98	0.04	0.90
<b>Creve Coeur</b>	1.59	1.48	1.79	1.81
Eureka	0.62	0.58	0.69	0.90
<b>Fenton</b>	1.49	1.03	1.11	1.28
Florissant Valley	1.59	1.25	0.98	0.01
Lemay	0.63	0.51	0.49	0.56
<b>Maryland Heights</b>	1.92	2.49	2.34	1.06
Mehlville	1.13	1.16	1.08	0.82
Metro West	1.34	1.19	0.03	0.08
Mid-County	0.84	0.97	0.83	0.93
Moline	0.96	0.94	0.90	0.83
Normandy	1.49	1.18	1.04	0.35
Pattonville/				
Bridgeton Terrace	1.12	0.78	0.74	0.87
Riverview	1.28	1.30	0.28	0.36
<b>Robertson</b>	1.50	2.19	1.67	1.71
<b>Spanish Lake</b>	0.68	1.05	1.12	1.12
<b>Valley Park</b>	1.68	1.08	1.54	1.39
West County EMS	0.92	0.97	0.37	0.40
West Overland	1.19	1.19	1.32	0.65

Fund balances of the Special Revenue Funds have remained constant or increased only slightly. While most fund balances appear reasonable, a few fire protection districts should assess their need for large balances. In addition, Maryland Heights Fire Protection District has a negative Ambulance Fund balance.

Revenues of the Pension Funds decreased significantly in 2000, apparently as a result of significant losses in investment earnings. However, overall deductions from such funds remained constant and most balances were not greatly effected.

There are eleven districts that have Capital Projects Funds, with three districts establishing such funds with bond proceeds in 2000. In addition, one district increased their Capital Projects Fund by issuing certificates of participation. Capital Projects Funds are funded with bond proceeds and/or transfers from the other funds. The balances in these funds should be considered when analyzing the fund status of the districts. Maryland Heights Fire Protection District has

maintained a negative fund balance for two years with no activity in this fund. The district should consider the necessity of maintaining this fund.

Several districts have outstanding debt; however, when setting their debt service levies each year, the districts should ensure amounts available and to be collected are sufficient only to meet necessary obligations.

Fire protection districts are continuing to add to their capital structure in buildings and equipment each year. In 2000, the asset balances of all districts increased by \$6.6 million.

Assessed valuations for most districts continue to increase while tax levies have remained fairly steady with only a few districts increasing their General Fund levy.

Audit fees have remained consistent for most districts. The fee for the Pattonville/Bridgeton Terrace Fire Protection District in 1999 was for audit services terminated by the district. As a result, the 2000 audit fee is for a two year audit. The Robertson Fire Protection District audit fee increased in 2000 due to a change in auditors and additional work requested by the district.

Compensation to directors has increased in several districts due to a change in the statutes allowing directors additional compensation.

Independent auditors made specific recommendations to improve the overall management of fire districts. Recommendations included concerns regarding revenue and expenditure procedures, various accounting records and procedures, investments and pensions, fixed assets, pledged securities, unclaimed property and other various policies and procedures. In addition, recommendations were made concerning budgets and payroll and employee benefits. Each fire district should review all of the recommendations and their applicability to their individual district. Consideration should be given by individual districts to have their independent auditor review any areas where risk and citizen concern may be evident.

## SCOPE AND METHODOLOGY

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION  
DISTRICTS IN ST. LOUIS COUNTY  
SCOPE AND METHODOLOGY

**Scope**

At December 31, 2000, there were 23 fire protection districts in St. Louis County. Audit reports were received for 22 districts. The Kinloch Fire Protection District's receipts were apparently less than \$50,000, so no audit report was required.

During our review we: 1) considered Section 321.690, RSMo 2000 (Appendix A), 15 CSR 40-4 (Appendix B), and audit reports submitted to the State Auditor by the various fire protection districts for the year ended December 31, 2000, 2) reviewed the supporting working papers of various independent auditors' reports for the year ended December 31, 2000 (information contained in the working papers constitutes the principal record of work the auditor has accomplished and provides evidence for conclusions that he has reached concerning significant matters), 3) obtained completed questionnaires from each of the fire protection districts regarding audit and other fees paid, and 4) verified dispatching fees paid by the fire protection districts with the service contract providers. In addition, financial data for the year ended December 31, 1999, has been presented for comparative purposes.

**Methodology**

We compiled the following schedules to accomplish the objectives of this report:

- Schedule 1 presents revenues, expenditures, and fund balance for the General Funds in a combined format. The General Fund is the general operating fund of the district and is used to account for all resources except those accounted for in other funds.
- Schedule 2 presents revenues, expenditures, and fund balance for the Ambulance Funds in a combined format. This fund is a special revenue fund which is used to account for the proceeds of a special tax levy which is restricted for ambulance operations. In addition, some districts receive contract revenues and ambulance fees.
- Schedule 3 presents revenues, expenditures, and fund balance for the Dispatching Funds in a combined format. This fund is a special revenue fund which is used to account for the proceeds of a special tax levy which is restricted to the purchasing of dispatching services. This is commonly accomplished by means of a contractual agreement with outside entities which provide dispatching services for several districts.
- Schedule 4 presents additions, deductions, and fund balance for the Pension Funds in a combined format. This fiduciary fund accounts for assets held in trust by the fire district or by an outside agency for the payment of retirement benefits and long-term disability benefits to eligible fire fighters. The funds' primary sources of revenue are property taxes and investment income.

- Schedule 5 presents revenues, expenditures, and fund balance for the Capital Project Funds in a combined format. This fund is used to account for the revenues and expenditures needed to finance the acquisition or construction of capital assets and improvements.
- Schedule 6 presents the operations of the Debt Service Fund for the year ended December 31, 2000, the amount of bonds outstanding, and the debt obligations of the districts for 2001. This fund is used to account for the accumulation of resources for the payment of general long-term debt principal and interest. The legal debt limit for a fire protection district is five percent of the fire protection districts' assessed valuation. The reports submitted show that all fire protection districts with outstanding debt were within their statutory limits.
- Schedule 7 presents the General Fixed Asset balances of the districts at December 31, 2000, with comparative totals of general fixed assets at December 31, 1999. The schedule presents fixed assets acquired or constructed for general governmental purposes that are reported as expenditures in the fund that financed the acquisition or construction and capitalized at historical cost or estimated historical cost if actual historical cost is not available. Depreciation is usually not provided on general fixed assets; however, the Black Jack Fire Protection District did provide for depreciation over the useful lives of the general fixed assets. The total accumulated depreciation through December 31, 2000, was \$985,900.
- Schedule 8 presents the assessed valuations of the individual fire protection districts as well as tax levies for each of the districts' various funds as reported in the audit reports.
- Schedule 9 is a listing of the audit fees for each fire protection district. This information was obtained from a questionnaire sent to the districts.
- Schedule 10 is a listing of total compensation paid to the directors by each district during the year ended December 31, 2000 and 1999. The independent audit reports included the names of the principal officeholders during the year ended December 31, 2000 and 1999, and the compensation received by each official in the performance of his or her duty as established by Section 321.190, RSMo 2000. There were instances when more than three names would be listed; however, this was due to a change in the officials serving on the board.
- Schedule 11 is a summary of the various comments contained in the independent auditor's reports on compliance and internal control and in the management letters received by the State Auditor. These comments apply to individual fire protection districts unless otherwise noted. The comments extracted from the reports and management letters were not verified by the State Auditor's office via additional audit procedures for accuracy, validity, or completeness.

Interfund and equity transfers are included in the revenue and expenditure numbers on Schedules 1 through 6. Schedules 1, 2, 3, 5 and 6 represent governmental type funds and are accounted for on the modified accrual basis of accounting. The modified accrual basis recognizes revenues in the period in which they become available and measurable. Expenditures are recognized in the accounting period in which the fund liability is incurred. Schedule 4 represents a fiduciary fund and is accounted for on the accrual basis of accounting. The accrual basis recognizes revenues when they are earned and expenses when they are incurred.

### **Limitations**

Some data presented in the schedules was compiled from information submitted by the various fire districts and their independent auditors and was not verified by us via additional audit procedures. In analyzing these schedules, some disparity will result due to the different methods of presenting essentially the same information. Reasons for some problems in comparison are:

- 1) The pension fund is presented differently by the fire districts. Ten districts offer defined contribution plans and seven offer defined benefit plans. Five districts offer both types.
- 2) Some districts may have major bond issues and related capital project funds.
- 3) Some districts collect user fees and others may not.
- 4) Some districts have significant transfers to and from funds which causes disparity in comparison.
- 5) Some districts account for capital improvements and large asset purchases in the General Fund while others have a Capital Projects Fund.

## SCHEDULES

## Schedule 1

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY  
 COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND FUND BALANCE -  
 GENERAL FUNDS

District	Year Ended December 31,							
	1999				2000			
	Beginning Fund Balance	Revenues	Expenditures	Ending Fund Balance	Adjustments *	Revenues	Expenditures	Ending Fund Balance
Affton	\$ 2,860,644	2,451,211	2,151,983	3,159,872	0	2,560,782	2,387,210	3,333,444
Black Jack	3,203,586	3,430,980	3,163,397	3,471,169	0	3,294,774	3,237,444	3,528,499
Chesterfield	9,228,740	7,773,172	6,046,897	10,955,015	0	8,138,903	6,992,863	12,101,055
Community	3,567,467	3,381,559	3,542,773	3,406,253	0	4,393,659	3,832,659	3,967,253
Creve Coeur	16,803,039	6,666,695	5,276,341	18,193,393	0	7,322,465	5,922,252	19,593,606
Eureka	759,954	1,377,036	1,267,203	869,787	0	1,739,465	1,373,030	1,236,222
Fenton	4,513,860	3,330,574	3,558,330	4,286,104	0	3,513,372	3,285,488	4,513,988
Florissant Valley	4,567,231	3,439,217	3,591,414	4,415,034	0	3,784,502	3,974,976	4,224,560
Lemay	706,623	1,324,122	1,364,238	666,507	(45,000)	1,375,333	1,281,587	715,253
Maryland Heights	9,176,820	4,533,323	3,818,680	9,891,463	0	4,984,086	4,606,661	10,268,888
Mehlville	13,166,057	10,340,463	9,041,680	14,464,840	(56,972)	10,812,791	11,668,953	13,551,706
Metro West	7,284,030	6,832,763	7,662,298	6,454,495	0	7,256,734	6,783,553	6,927,676
Mid-County	1,549,829	1,572,622	1,704,492	1,417,959	0	2,188,628	1,866,778	1,739,809
Moline	1,159,543	1,305,531	1,296,850	1,168,224	0	1,306,113	1,354,918	1,119,419
Normandy	2,398,419	1,710,582	1,827,345	2,281,656	0	1,759,363	2,018,215	2,022,804
Pattonville/Bridgeton Terrace	3,622,860	4,543,385	4,795,837	3,370,408	0	5,519,155	4,747,341	4,142,222
Riverview	1,865,844	1,518,286	1,446,053	1,938,077	0	1,603,517	1,402,064	2,139,530
Robertson	3,943,090	2,599,888	2,447,100	4,095,878	23,292	2,744,003	2,530,304	4,332,869
Spanish Lake	1,981,177	1,891,119	1,825,789	2,046,507	0	1,952,152	1,888,742	2,109,917
Valley Park	1,351,466	1,140,205	980,135	1,511,536	0	1,197,850	1,028,087	1,681,299
West County EMS	6,140,436	4,102,535	3,935,121	6,307,850	0	4,911,999	4,116,917	7,102,932
West Overland	1,549,162	1,321,468	1,239,541	1,631,089	0	1,457,640	1,118,373	1,970,356
Total	\$ 101,399,877	76,586,736	71,983,497	106,003,116	(78,680)	83,817,286	77,418,415	112,323,307

\* Prior period adjustments made by the CPA firms.

## Schedule 2

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY  
 COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND FUND BALANCE  
 SPECIAL REVENUE-AMBULANCE

District	Year Ended December 31,							
	1999				2000			
	Beginning Fund Balance	Revenues	Expenditures	Ending Fund Balance	Adjustments *	Revenues	Expenditures	Ending Fund Balance
Aftton	\$ 746,219	824,246	746,653	823,812	0	1,000,638	604,314	1,220,136
Black Jack	0	0	0	0	0	0	0	0
Chesterfield	5,015,716	4,484,978	4,163,817	5,336,877	0	4,708,571	4,836,676	5,208,772
Community	1,015,071	1,092,383	1,062,128	1,045,326	0	1,181,451	1,062,816	1,163,961
Creve Coeur	304,410	2,069,307	2,137,577	236,140	0	2,425,983	2,662,123	0
Eureka	794,406	637,223	707,781	723,848	0	859,455	862,001	721,302
Fenton	2,730,186	1,922,237	2,261,312	2,391,111	0	2,068,881	2,477,736	1,982,256
Florissant Valley	373,240	879,269	231,256	1,021,253	0	1,535,709	2,315,378	241,584
Lemay	410,752	526,068	506,344	430,476	(14,000)	480,530	559,479	337,527
Maryland Heights	(866,494)	968,481	1,089,077	(987,090)	0	1,179,183	1,050,468	(858,375)
Mehlville	3,874,026	3,324,812	3,344,839	3,853,999	(19,766)	3,540,001	3,653,702	3,720,532
Metro West	3,176,056	3,488,020	3,433,319	3,230,757	0	3,679,331	3,341,006	3,569,082
Mid-County	64,030	204,229	306,000	(37,741)	0	253,765	216,024	0
Moline	0	0	0	0	0	0	0	0
Normandy	467,096	581,213	544,829	503,480	0	628,374	526,377	605,477
Pattonville/Bridgeton Terrace	1,080,027	2,137,522	1,735,601	1,481,948	0	2,110,256	1,634,268	1,957,936
Riverview	0	0	0	0	0	0	0	0
Robertson	84,876	1,227,228	1,312,102	2	11,797	1,293,159	1,116,528	188,430
Spanish Lake	0	0	0	0	0	0	0	0
Valley Park	490,565	516,525	468,398	538,692	0	546,100	500,610	584,182
West County EMS	2,135,239	1,805,654	1,615,736	2,325,157	0	2,095,253	1,622,431	2,797,979
West Overland	374,858	567,366	687,770	254,454	0	661,277	625,273	290,458
Total	\$ 22,270,279	27,256,761	26,354,539	23,172,501	(21,969)	30,247,917	29,667,210	23,731,239

\* Prior period adjustments made by the CPA firms.

## Schedule 3

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY  
 COMPARTIVE SCHEDULE OF REVENUES, EXPENDITURES, AND FUND BALANCE-  
 SPECIAL REVENUE FUND-DISPATCHING

District	Year Ended December 31,							
	1999				2000			
	Beginning Fund Balance	Revenues	Expenditures	Ending Fund Balance	Adjustments *	Revenues	Expenditures	Ending Fund Balance
Affton	\$ 122,159	112,081	107,677	126,563	0	112,320	113,759	125,124
Black Jack	110,351	161,869	186,162	86,058	(86,058)	218,850	218,850	0
Chesterfield	432,608	396,413	533,430	295,591	0	423,059	319,375	399,275
Community	10	127,339	127,339	10	0	127,953	127,953	10
Creve Coeur	0	279,864	279,864	0	0	303,349	303,349	0
Eureka	0	52,964	52,964	0	0	65,917	65,917	0
Fenton	665,136	264,734	238,337	691,533	0	280,284	289,491	682,326
Florissant Valley	241,897	126,538	114,370	254,065	0	202,306	163,529	292,842
Lemay	44,706	28,980	48,087	25,599	0	32,610	51,544	6,665
Maryland Heights	0	287,527	182,703	104,824	0	282,553	188,007	199,370
Mehlville	774,354	505,209	447,076	832,487	0	385,075	489,941	727,621
Metro West	235,935	336,782	424,754	147,963	0	351,065	262,850	236,178
Mid-County	0	52,276	52,276	0	0	42,053	40,992	1,061
Moline	1	31,147	31,148	0	0	31,069	31,069	0
Normandy	0	63,038	63,038	0	0	62,614	62,614	0
Pattonville/Bridgeton Terrace	14,913	382,511	193,364	204,060	0	347,362	265,115	286,307
Riverview	0	47,410	47,410	0	0	50,025	50,025	0
Robertson	0	113,716	113,716	0	1,209	126,253	126,253	1,209
Spanish Lake	44,139	57,228	64,941	36,426	0	57,408	53,157	40,677
Valley Park	40,120	49,763	51,657	38,226	0	52,318	52,831	37,713
West County EMS	100,980	159,033	190,921	69,092	0	167,221	137,483	98,830
West Overland	59	65,516	65,516	59	0	77,678	77,678	59
Total	\$ 2,827,368	3,701,938	3,616,750	2,912,556	(84,849)	3,799,342	3,491,782	3,135,267

\* Prior period adjustments made by the CPA firms.

## Schedule 4

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY  
 COMPARATIVE SCHEDULE OF ADDITIONS, DEDUCTIONS, AND FUND BALANCE-  
 FIDUCIARY FUNDS (PENSION FUND)

District	Year Ended December 31,							
	1999				2000			
	Beginning Fund Balance	Additions	Deductions	Ending Fund Balance	Adjustments *	Additions	Deductions	Ending Fund Balance
Affton	\$ 6,061,172	298,502	574,917	5,784,757	0	405,018	1,688,652	4,501,123
Black Jack	3,476,345	641,580	1,848,325	2,269,600	(66,987)	621,781	111,268	2,713,126
Chesterfield	20,571,682	5,302,073	1,236,414	24,637,341	0	(298,631)	1,139,618	23,199,092
Community	6,434,968	961,815	71,301	7,325,482	(81,213)	380,234	257,845	7,366,658
Creve Coeur	17,025,567	3,832,718	1,932,681	18,925,604	0	2,540,091	2,798,960	18,666,735
Eureka	2,014,077	307,596	33,827	2,287,846	0	389,545	40,047	2,637,344
Fenton	14,128,651	1,699,684	1,833,652	13,994,683	0	1,531,828	373,697	15,152,814
Florissant Valley	4,285,493	849,149	411,915	4,722,727	0	905,006	506,011	5,121,722
Lemay	131,085	133,833	123,372	141,546	0	134,430	124,591	151,385
Maryland Heights	8,224,244	2,176,373	66,129	10,334,488	0	7,407	807,628	9,534,267
Mehlville	32,978,982	3,157,209	1,520,796	34,615,395	0	3,486,892	1,564,462	36,537,825
Metro West	13,150,537	4,598,532	298,787	17,450,282	0	953,538	451,308	17,952,512
Mid-County	1,569,016	339,033	763,775	1,144,274	0	6,079	61,825	1,088,528
Moline	2,838,171	297,671	65,792	3,070,050	0	338,379	10,729	3,397,700
Normandy	1,663,055	312,279	1,777,995	197,339	0	157,834	189,773	165,400
Pattonville/Bridgeton Terrace	8,116,387	3,091,779	180,095	11,028,071	0	1,148,188	1,214,442	10,961,817
Riverview	2,236,125	438,601	36,999	2,637,727	0	263,572	852,249	2,049,050
Robertson	4,449,640	1,390,312	372,674	5,467,278	6,050	225,028	979,639	4,718,717
Spanish Lake	4,292,675	1,392,387	8,587	5,676,475	0	(118,877)	9,571	5,548,027
Valley Park	1,376,134	191,044	450,850	1,116,328	0	221,568	122,588	1,215,308
West County EMS	1,604,414	572,125	484,902	1,691,637	0	686,771	606,986	1,771,422
West Overland	4,826,822	858,217	656,423	5,028,616	0	310,829	218,454	5,120,991
Total	\$ 161,455,242	32,842,512	14,750,208	179,547,546	(142,150)	14,296,510	14,130,343	179,571,563

\* Prior period adjustments made by the CPA firms.

## Schedule 5

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY  
 COMPARATIVE SCHEDULE OF REVENUES, EXPENSES, AND FUND BALANCE-  
 CAPITAL PROJECT FUNDS

		Year Ended December 31,						
		1999				2000		
District		Beginning Fund Balance	Revenues	Expenditures	Ending Fund Balance	Revenues	Expenditures	Ending Fund Balance
Affton	\$	0	0	0	0	0	0	0
Black Jack		309,705	92,501	0	402,206	35,647	0	437,853
Chesterfield		34,356	447,369	152,855	328,870	365,361	681,493	12,738
Community		0	0	0	0	0	0	0
Creve Coeur		0	0	0	0	0	0	0
Eureka		373,792	3,840,254	457,597	3,756,449	190,304	1,901,353	2,045,400
Fenton		0	0	0	0	0	0	0
Florissant Valley		0	0	0	0	0	0	0
Lemay		0	0	0	0	0	0	0
Maryland Heights		(65,374)	0	0	(65,374)	0	0	(65,374)
Mehlville		271,479	13,563	1,600	283,442	4,099,967	2,347,128	2,036,281
Metro West		1,065,069	2,459,384	1,903,635	1,620,818	1,231,775	1,026,457	1,826,136
Mid-County		0	0	0	0	0	0	0
Moline		61,841	1,225	11,093	51,973	1,053	5,392	47,634
Normandy		13,595	0	13,595	0	0	0	0
Pattonville/Bridgeton Terrace		0	1,018,791	16,725	1,002,066	64,930	722,963	344,033
Riverview		0	0	0	0	998,898	23,603	975,295
Robertson		0	0	0	0	3,669,893	598,077	3,071,816
Spanish Lake		0	0	0	0	2,989,069	156,302	2,832,767
Valley Park		0	0	0	0	0	0	0
West County EMS		0	0	0	0	0	0	0
West Overland		0	0	0	0	0	0	0
Total	\$	2,064,463	7,873,087	2,557,100	7,380,450	13,646,897	7,462,768	13,564,579

## Schedule 6

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY  
SCHEDULE OF BOND OBLIGATIONS  
YEAR ENDED DECEMBER 31, 2000

District	Fund Balance December 31, 1999	Revenues	Expenditures and Transfers Out	Fund Balance December 31, 2000	2001 Obligations	Outstanding Bonds at December 31, 2000
Affton	\$ 0	0	0	0	0	0
Black Jack	0	0	0	0	0	0
Chesterfield	907,567	442,780	415,067	935,280	300,000	2,725,000
Community	0	0	0	0	0	0
Creve Coeur	0	0	0	0	0	0
Eureka	425,357	335,730	454,018	307,069	120,000	3,385,000
Fenton	0	0	0	0	0	0
Florissant Valley	0	0	0	0	0	0
Lemay	309,186	172,639	150,727	331,098	120,071	785,000
Maryland Heights	523,092	345,827	272,728	596,191	255,000	525,000
Mehlville	0	0	0	0	0	0
Metro West	0	0	0	0	0	0
Mid-County	15,429	63	15,492	0	0	0
Moline	121,474	75,102	63,658	132,918	60,000	120,000
Normandy	102,027	48,297	70,238	80,086	45,000	275,000
Pattonville/Bridgeton Terrace	267,922	219,294	132,810	354,406	50,000	575,000
Riverview	0	3,657	0	3,657	0	1,000,000
Robertson	0	435,696	0	435,696	50,000	3,500,000
Spanish Lake	0	275,525	0	275,525	75,000	3,000,000
Valley Park	116,979	72,335	68,871	120,443	45,000	420,000
West County EMS	0	0	0	0	0	0
West Overland	0	0	0	0	0	0
Total	\$ 2,789,033	2,426,945	1,643,609	3,572,369	1,120,071	16,310,000

## Schedule 7

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY  
SCHEDULE OF GENERAL FIXED ASSETS

		December 31, 2000			December 31, 1999
District		Land and Building	Furniture and Equipment	Total	Total
Affton	\$	406,082	1,351,347	1,757,429	1,750,778
Black Jack		794,505	1,381,206	2,175,711	2,148,715
Chesterfield		10,194,939	4,930,071	15,125,010	13,508,276
Community		276,870	1,574,034	1,850,904	1,730,973
Creve Coeur		3,483,309	3,635,316	7,118,625	6,079,290
Eureka		3,094,642	2,299,398	5,394,040	3,456,169
Fenton		3,719,955	2,510,042	6,229,997	5,220,565
Florissant Valley		1,464,850	2,477,186	3,942,036	2,776,280
Lemay		1,776,720	787,280	2,564,000	2,526,983
Maryland Heights		3,514,263	2,995,321	6,509,584	6,261,146
Mehlville		6,750,357	7,037,217	13,787,574	10,997,423
Metro West		5,899,779	4,174,585	10,074,364	15,263,186
Mid-County		759,220	983,650	1,742,870	1,705,476
Moline		184,247	658,411	842,658	836,013
Normandy		767,266	1,577,080	2,344,346	2,064,433
Pattonville/Bridgeton Terrace		3,396,392	3,023,497	6,419,889	5,674,223
Riverview		1,125,710	714,011	1,839,721	1,824,261
Robertson		1,548,965	2,052,325	3,601,290	2,995,843
Spanish Lake		738,231	831,047	1,569,278	1,434,597
Valley Park		1,083,884	1,234,372	2,318,256	2,296,397
West County EMS		1,539,428	2,689,412	4,228,840	4,306,412
West Overland		220,944	1,140,634	1,361,578	1,303,975
Total	\$	52,740,558	50,057,442	102,798,000	96,161,414

## Schedule 8

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY  
 SCHEDULE OF ASSESSED VALUATION AND TAX LEVIES  
 YEARS ENDED DECEMBER 31, 2000 AND 1999

District	Assessed Valuation		Tax Levy per \$100 of Assessed Valuation											
			Total		General		Pension		Dispatching		Ambulance		Debt Service	
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
Affton	\$ 348,255,412	339,024,117	0.9400	0.9400	0.6400	0.6400	0.0700	0.0700	0.0300	0.0300	0.2000	0.2000	0.0000	0.0000
Black Jack	441,112,375	428,213,108	0.8900	0.8900	0.7500	0.7500	0.1000	0.1000	0.0400	0.0400	0.0000	0.0000	0.0000	0.0000
Chesterfield	1,371,312,470	1,278,056,771	1.0190	1.0200	0.5390	0.5300	0.1000	0.1000	0.0300	0.0300	0.3200	0.3200	0.0300	0.0400
Community	446,595,247	432,164,759	1.3800	1.1300	1.0000	0.7500	0.1000	0.1000	0.0300	0.0300	0.2500	0.2500	0.0000	0.0000
Creve Coeur	987,642,410	927,501,400	1.0100	1.0100	0.6100	0.6100	0.1500	0.1500	0.0300	0.0300	0.2200	0.2200	0.0000	0.0000
Eureka	208,407,327	197,153,982	1.3230	1.2900	0.7440	0.7200	0.1000	0.1000	0.0300	0.0300	0.2990	0.2900	0.1500	0.1500
Fenton	761,550,991	743,468,719	0.7400	0.7400	0.3800	0.3800	0.1000	0.1000	0.0300	0.0300	0.2300	0.2300	0.0000	0.0000
Florissant Valley	637,318,003	567,092,293	0.8300	0.8200	0.5500	0.5500	0.1000	0.1000	0.0300	0.0200	0.1500	0.1500	0.0000	0.0000
Lemay	131,660,642	131,537,245	1.4400	1.4800	0.9900	0.9900	0.1000	0.1000	0.0200	0.0200	0.2300	0.2300	0.1000	0.1400
Maryland Heights	534,037,686	521,420,613	1.1500	1.1500	0.8000	0.8000	0.1300	0.1300	0.0500	0.0500	0.1100	0.1100	0.0600	0.0600
Mehlville	1,562,968,054	1,506,468,492	0.9200	0.9200	0.5900	0.5800	0.1000	0.1000	0.0200	0.0300	0.2100	0.2100	0.0000	0.0000
Metro West	1,157,078,875	1,029,590,800	1.0210	1.0300	0.5810	0.5900	0.1100	0.1100	0.0300	0.0300	0.3000	0.3000	0.0000	0.0000
Mid-County	122,426,529	119,553,938	1.6300	1.2800	1.3500	1.0000	0.1000	0.1000	0.0300	0.0300	0.1500	0.1500	0.0000	0.0000
Moline	104,431,181	102,363,101	1.5000	1.5000	1.2500	1.2500	0.1500	0.1500	0.0300	0.0300	0.0000	0.0000	0.0700	0.0700
Normandy	168,245,394	164,035,767	1.4700	1.4500	1.0000	0.9800	0.1000	0.1000	0.0400	0.0400	0.3000	0.3000	0.0300	0.0300
Pattonville/Bridgeton Terrace	622,508,792	579,571,493	1.2060	1.2200	0.7320	0.7500	0.1500	0.1500	0.0500	0.0400	0.2440	0.2500	0.0300	0.0300
Riverview	121,763,354	120,459,676	1.4000	1.4000	1.2500	1.2500	0.1100	0.1100	0.0400	0.0400	0.0000	0.0000	0.0000	0.0000
Robertson	309,501,376	175,037,160	1.5500	1.4000	0.7700	0.7700	0.2000	0.2000	0.0400	0.0400	0.3900	0.3900	0.1500	0.0000
Spanish Lake	146,206,107	143,433,436	1.6590	1.4400	1.2500	1.2500	0.1500	0.1500	0.0400	0.0400	0.0000	0.0000	0.2190	0.0000
Valley Park	169,319,389	162,269,126	1.1200	1.1200	0.6500	0.6500	0.1000	0.1000	0.0300	0.0300	0.3000	0.3000	0.0400	0.0400
West County EMS	519,833,005	508,433,526	0.7400	0.6200	0.4600	0.3800	0.0600	0.0500	0.0300	0.0300	0.1900	0.1600	0.0000	0.0000
West Overland	169,364,022	168,044,850	1.1400	1.1200	0.7000	0.6900	0.1500	0.1500	0.0400	0.0400	0.2500	0.2400	0.0000	0.0000

Schedule 9

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY  
COMPARATIVE SCHEDULE OF FEES FOR AUDIT SERVICES

District	2000 Audit Fees	1999 Audit Fees	Independent Auditor
Affton	\$ 6,600	5,400	Same
Black Jack	6,000	6,900	Different
Chesterfield	10,500	9,000	Same
Community	6,000	4,100	Different
Creve Coeur	13,250	12,500	Same
Eureka	4,490	3,925	Same
Fenton	6,600	6,400	Same
Florissant Valley	4,975	4,600	Same
Lemay	3,550	3,450	Same
Maryland Heights	4,865	4,865	Same
Mehlville	9,500	8,900	Same
Metro West	12,282	12,235	Same
Mid-County	4,750	4,000	Different
Moline	4,095	3,875	Same
Normandy	4,525	6,451	Same
Pattonville/Bridgeton Terrace	15,000	4,000	Different
Riverview	2,100	2,100	Different
Robertson	19,800	4,733	Different
Spanish Lake	7,500	5,000	Same
Valley Park	6,400	5,475	Same
West County EMS	6,500	5,000	Same
West Overland	4,475	4,035	Same

Schedule 10

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY  
SCHEDULE OF COMPENSATION PAID TO DIRECTORS BY DISTRICT

District	2000	1999
Affton	\$ 8,300	7,950
Black Jack	9,100	10,250
Chesterfield	18,849	15,250
Community	23,200	17,883
Creve Coeur	20,800	17,600
Eureka	6,900	7,000
Fenton	11,100	10,800
Florissant Valley	25,383	17,400
Lemay	8,567	9,400
Maryland Heights	14,017	13,877
Mehlville	16,296	16,775
Metro West	13,450	13,050
Mid-County	26,076	17,657
Moline	29,600	20,300
Normandy	13,366	11,458
Pattonville/Bridgeton Terrace	16,633	17,850
Riverview	17,596	17,612
Robertson	20,383	14,450
Spanish Lake	18,200	17,600
Valley Park	11,750	11,208
West County EMS	16,675	18,200
West Overland	21,209	17,614

## Schedule 11

### REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY SUMMARY OF MANAGEMENT LETTER COMMENTS ISSUED BY AUDITORS IN CONNECTION WITH THE AUDITS OF THE YEAR ENDED DECEMBER 31, 2000

#### Revenues/Receipts

- The number of badges and patches sold were not reconciled to the cash collected.
- Three districts did not itemize tax revenue according to prior, current, and future years based on the monthly county revenues statements. Receivables should only be the current collections during the first sixty days of the next fiscal year; the remaining amount of potential revenue should be deferred and an amount should be estimated for the potential uncollectible portion.

#### Expenditures/Purchasing

- Clothing allowances were not included on the Form W-2 each year.
- Voided checks were not properly mutilated.

#### Accounting Records and Procedures

- The accounting records service provider did not provide financial information, including journals, general ledgers, bank reconciliations and monthly financial statements in a timely manner.
- Several monthly board reports were manually prepared, including a total analysis of actual activity compared to the budget. Having reports generated from the same processing system that maintains all financial activity assures reports are accurately prepared, and are completed on a more efficient basis. Additionally, a budget report that details, on a monthly basis, differences between budget and actual for each budget line item, expenditures as well as revenue, is information that management should be receiving on a monthly basis.
- There was a lack of segregation of duties.
- The accountant did not reconcile all bank accounts nor were the accounts reconciled to the month end financial statements.
- The board did not review the bank reconciliations prepared by the district accountant on a periodic basis.

- The general ledger was in balance but the individual funds were not.
- There was not adequate documentation relating to certain journal entries impacting the general ledger, and there was a deficient audit trail concerning cash receipts and other miscellaneous postings on the accounting system used by the outside accountant.
- Accounts were not analyzed and reconciled to the general ledger on a frequent basis.
- An accrual for future interest payable was recorded in the general long term debt account group.
- A detailed schedule of activity running through the districts accounts was not maintained and reconciled to the general ledger periodically.
- Three districts did not have a written accounting procedures manual.
- Two districts did not have a formal written conflict of interest policy.

#### Investments and Pensions

- Investment earnings were not maximized by two districts.
- Changes from the quarterly investment statements were not recorded on the internal financial statements.
- Pension valuation reports were not prepared timely.

#### Fixed Assets

- A detailed permanent record of fixed assets was not maintained in eleven districts.
- Three districts did not have a formal policy for capitalizing fixed assets.
- Capital leases were not added to the fixed asset listing when the lease agreement was executed.
- A district should consider the appropriateness of continuing to maintain a capital projects fund in light of current plans for the acquisition of major fixed assets.

#### Budgets

- Four districts' budget documents did not contain all of the required components as specified by Chapter 67 RSMo.

- The budget did not contain provisions to eliminate the deficit fund balance at the beginning of the year in the Ambulance Fund.
- Nine of the districts' expenditures exceeded the budgetary appropriations in various funds.
- A budget was not prepared for the Capital Projects Fund.
- Budget amendments were not adequately documented and approved by the Board of Directors.
- A budget was not prepared displaying actual and budget comparative amounts from the preceding years figures.

#### Payroll and Employee Benefits

- The vacation policy did not clearly document how vacation time can be earned or if vacation time can be carried forward into the following year.
- Two districts did not record the defined benefit and Section 457 plans in the general ledger.
- Two districts did not reconcile the schedule of accrued sick leave to the amount recorded in the general long-term debt account group.
- Employee loans through the defined contribution plan should be recorded separately on the general ledger to properly reflect plan activity. Also, loans not repaid, but reported as taxable income to the employee, should also be recorded as benefit expense on the general ledger.

#### Pledged Securities

- Component units of two districts had bank deposits that were uninsured or uncollateralized.

#### Unclaimed Property

- Several checks outstanding for over one year were written off, but had not been turned over to the state under the Unclaimed Property law.

#### GASB 34

- It was recommended that in ten districts that they plan for the adoption of Governmental Accounting Standards Board, Statement Number 34, Basic Financial Statements and Management's Discussion and Analysis for States and Local Governments.

### Fund Balances

- The unreserved fund balance accumulated in the General Fund equaled approximately 70 percent of the annual expenditures of that fund.
- The Ambulance Fund had a cumulative fund deficit at December 31, 2000.

## APPENDICES

# ***Missouri Revised Statutes***

## **Chapter 321 Fire Protection Districts Section 321.690**

### **Audits to be performed, when--rules established by state auditor (Christian County fire protection districts exempt from audits).**

321.690. 1. In counties of the first classification having a charter form of government and having more than nine hundred thousand inhabitants and in counties of the first classification which contain a city with a population of one hundred thousand or more inhabitants which adjoins no other county of the first classification, the governing body of each fire protection district shall cause an audit to be performed consistent with rules and regulations promulgated by the state auditor.

2. (1) All such districts shall cause an audit to be performed biennially. Each such audit shall cover the period of the two previous fiscal years.

(2) Any fire protection district with less than fifty thousand dollars in annual revenues may, with the approval of the state auditor, be exempted from the audit requirement of this section if it files appropriate reports on its affairs with the state auditor within five months after the close of each fiscal year and if these reports comply with the provisions of section 105.145, RSMo. These reports shall be reviewed, approved and signed by a majority of the members of the governing body of the fire protection district seeking exemption.

3. Copies of each audit report must be completed and submitted to the fire protection district and the state auditor within six months after the close of the audit period. One copy of the audit report and accompanying comments shall be maintained by the governing body of the fire protection district for public inspection at reasonable times in the principal office of the district. The state auditor shall also maintain a copy of the audit report and comment. If any audit report fails to comply with the rules promulgated by the state auditor, that official shall notify the fire protection district and specify the defects. If the defects specified are not corrected within ninety days from the date of the state auditor's notice to the district, or if a copy of the required audit report and accompanying comments have not been received by the state auditor within six months after the end of the audit period, the state auditor shall make, or cause to be made, the required audit at the expense of the fire protection district.

4. The provisions of this section shall not apply to any fire protection district based and substantially located in a county of the third classification with a population of at least thirty-one thousand five hundred but not greater than thirty-three thousand.

(L. 1977 H.B. 216, A.L. 1981 S.B. 200, A.L. 1986 H.B. 877, A.L. 1991 S.B. 34, A.L. 1993 H.B. 177 and S.B. 346, A.L. 1998 H.B. 1847)

## Appendix B

### Title 15—ELECTED OFFICIALS Division 40—State Auditor Chapter 4—Audits of Fire Protection Districts in St. Louis and Greene Counties

#### 15 CSR 40-4.010 Requirements for Districts

*PURPOSE: The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth requirements to be met directly by the district.*

(1) The district is responsible for preparing and providing financial information to be included in the audit report. The district shall maintain adequate accounting records for that purpose. These records may be maintained on the bases of accounting deemed appropriate by the district but the records shall provide adequate information to allow the district to report in accordance with generally accepted accounting principles.

(2) The district shall engage an independent auditor to conduct the audit. The state auditor does not recommend, select or approve the district's auditor or the auditor's fee, except as provided in 15 CSR 40-4.010(4). The district is responsible for fulfilling all contractual obligations with the auditor, including payment of all earned fees.

(3) The district shall require from the independent auditor an engagement letter which sets out all essential particulars. A copy of the engagement letter shall be submitted to the state auditor for his/her review before commencement of audit fieldwork. The purpose of this review is to provide reasonable assurance that the district has contractually committed an auditor to provide services to satisfy requirements of 15 CSR 40-4. The contents of this letter should include, but are not limited to:

(A) Period for which the financial statements are audited;

(B) Purpose of the audit;

(C) Scope of the audit, including consideration of the internal control structure and tests of compliance with applicable laws and regulations;

(D) Provisions that the auditor will communicate, in writing, to the district material weaknesses or reportable conditions in the internal control structure, instances of non-compliance with applicable laws and regulations and other areas of possible improvement;

(E) Provision that all workpapers, etc., will be made available to the state auditor for his/her review upon his/her request;

(F) Provision that the auditor will comply with applicable rules issued by the state auditor under 15 CSR 40;

(G) Provision that the auditor will discuss with the district any factors s/he may discover which would prevent him/her from issuing an unqualified opinion on the financial statements and allow the district and the auditor the opportunity to arrive at a resolution acceptable to both;

(H) Statement of the auditor's responsibility for detection of errors, irregularities and illegal acts; and

(I) The estimated cost of the audit and the rates which are the basis for that estimate.

(4) The district must file a copy of the completed audit report with the state auditor within six (6) months after the close of the audit period. If any audit report fails to comply with promulgated rules, the state auditor will notify the district and specify the defects. If the specified defects are not corrected within ninety (90) days from the date of the state auditor's notice to the district, or if a copy of the required audit report has not been received by the state auditor within the specified time, the state auditor will make, or cause to be made, the required audit at the expense of the district.

*Auth: section 321.690, RSMo (Cum. Supp. 1993). \* Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

*\*Original authority 1977, amended 1981, 1986, 1991, 1993.*

#### 15 CSR 40-4.020 Standards for Auditing and Financial Reporting

*PURPOSE: The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth standards for the auditing and financial reporting of the district.*

(1) The independent auditor shall meet all requirements of Chapter 326, RSMo. The auditor must be able to demonstrate that s/he meets the independence criteria contained in the code of professional ethics and rules of conduct promulgated by the Missouri State Board of Accountancy.

(2) The independent auditor shall provide to the state auditor reasonable notification of any entrance or exit conferences held with the district. This notification shall be sufficiently

in advance to allow the state auditor to attend the entrance or exit conference at his/her discretion. Upon request, the independent auditor shall provide a draft copy of the audit report and management letter to the state auditor prior to the exit conference.

(3) The audit shall conform to the standards for auditing of governmental organizations, programs, activities and functions as established by the comptroller general of the United States.

(4) The financial statements, supplementary data and accompanying notes shall be presented in conformity with generally accepted accounting principles.

*Auth: section 321.690, RSMo (Cum. Supp. 1993). \* Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

*\*Original authority 1977, amended 1981, 1986, 1991, 1993.*

#### 15 CSR 40-4.030 Contents of Audit Reports

*PURPOSE: The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule describes required and suggested information to be included in the audit reports.*

(1) Standards for auditing and financial reporting of fire protection districts are given in 15 CSR 40-4.020.

(2) All audit reports shall contain:

(A) A table of contents;

(B) A report on the financial statements;

(C) Combined financial statements and appropriate note disclosures;

(D) Other financial information which includes, but is not limited to, the following:

1. Supplemental schedule of expenditures/expenses by object, if not included in the financial statements;

2. Tax rates and assessed valuation;

3. Schedule of insurance in force which shall include, in addition to other information, the agent for each policy; and

4. Principal officeholders who held office during the period under audit, compensation received by each official in performance of his/her duty and all other compensation or reimbursement of expenses made by the district to each officeholder; and

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(E) A report on the consideration of the internal control structure, a report on the tests of compliance with applicable laws and regulations and a management letter communicating areas of possible improvement not otherwise reported. The required scope of audit for the reports and management letter is set forth in 15 CSR 40-4.040(3). The reports and management letter shall include the findings and recommendations, if any, which the auditor developed during his/her audit and the district's responses to those findings and recommendations. The reports and management letter shall also indicate the nature of previous recommendations and the extent to which the district has implemented those recommendations.

(3) If the district or the auditor deems it appropriate, audit reports may contain or utilize the following:

(A) A history and organization section prepared by the district (unaudited);

(B) Comparative financial data for one (1) or more years; and

(C) Other statements, exhibits, schedules or analyses as deemed necessary or appropriate by the district or the auditor.

*Auth: section 321.690, RSMo (Cum. Supp. 1993). \* Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

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### 15 CSR 40-4.040 Scope of Audit

**PURPOSE:** *The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth the scope of the audit.*

(1) Nothing in the rules promulgated for audits of fire protection districts shall be construed as restricting, limiting or relieving the independent auditor of his/her professional judgment or responsibility.

(2) The audit shall include those tests of the accounting records and other auditing procedures which the independent auditor considers necessary in the circumstances to conform to the standards for auditing of governmental organizations, programs, activities and functions as established by the comptroller general of the United States.

(3) As part of the audit described in section (2), the auditor will obtain an understanding of the internal control structure, assess control risk and report any material weaknesses or reportable conditions. The auditor will also test compliance with applicable laws and regulations and report all material instances of noncompliance. As a part of, or in addition to, audit tests or procedures which may be necessary for the audit, the auditor shall—

(A) Review systems, procedures and management practices, including:

1. Review cash management practices to the extent necessary to determine whether significant improvements appear practicable and economically justifiable;

2. Evaluate the purchasing function to the extent necessary to determine that the district generally receives fair value, for example, bidding of significant purchases; that purchases generally represent items consistent with the function of the district; and that there is not significant likelihood of misuse or misappropriation of the district's resources through the purchasing process;

3. Review fixed asset records and procedures to the extent necessary to determine that fixed assets are properly recorded, physically controlled and in the possession of the district;

4. Review fidelity bond coverages to determine that all persons with access to assets of the district appear covered in sufficient amounts;

5. Evaluate the budgeting practices to the extent necessary to determine whether significant improvements appear practicable and economically justifiable;

6. Review related party transactions;

7. Review evaluate other areas as required by the district; and

8. Review significant areas or matters which come to the attention of the auditor;

(B) The auditor will note areas of possible improvement in the district's systems, procedures and management practices. In evaluating district systems, procedures and management practices, the auditor should consider whether improvements appear practicable and economically justifiable.

(C) Test compliance with applicable laws and regulations, including:

1. Design the audit to provide reasonable assurance of detecting errors, irregularities and illegal acts that could have a direct and material effect on the financial statements;

2. Be aware of the possibility of illegal acts that could have an indirect and material effect on the financial statements; and

3. Test compliance with other legal provisions as s/he deems necessary or appropriate in the circumstances.

(D) Legal provisions which the auditor should consider in his/her audit include, but are not limited to, the following:

1. Article III, Sections 38(a) and 39(3) and Article VI, Section 25, *Constitution of Missouri* limitations on use of funds and credit;

2. Article VI, Section 26, *Constitution of Missouri* limitations on indebtedness without popular vote;

3. Article VI, Section 29, *Constitution of Missouri* application of funds derived from public debts;

4. Article VII, Section 6, *Constitution of Missouri* penalty for nepotism;

5. Chapter 67, RSMo budgetary requirements;

6. Sections 70.210 to 70.230 and Section 432.070, RSMo contracts;

7. Section 105.145, RSMo annual report;

8. Chapter 105, RSMo conflict of interest;

9. Chapter 108, RSMo bond issues;

10. Chapter 321, RSMo fire protection districts;

11. Other applicable portions of the *Constitution of Missouri* and the *Missouri Revised Statutes*;

12. Applicable sections of *Code of State Regulations*; and

13. Other applicable legal provisions.

(4) The auditor shall report on the reviews and examinations required by this rule in a management letter as set forth in 15 CSR 40-4.030 (2)(E).

*Auth: section 321.690, RSMo (Cum. Supp. 1993). \* Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

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